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TOUNS 44

Oil Situation Report No. 7 from State Dept Operations Center.

(OC/T: Please transmit the attached Situation Report No. 7 of the Oil Task Force to the above addressees.)

(16)

DRAFTED BY:	DRAFTING DATE	TEL. EXT.	APPROVED BY:
Oil Task Force MW			S/S-O: ~~R.D. Emmons~~ MW

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KUWAIT ACKNOWLEDGE RECEIPT

OIL SITUATION REPORT NO. 7 FROM STATE DEPT OPERATIONS CENTER.

SITUATION REPORT NO. 7 AS OF 1500 HOURS EST, JANUARY 20, 1971

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Department of State TELEGRAM

SECRET

1. UNDER SECRETARY IRWIN'S MISSION

THE UNDER SECRETARY MET WITH KING FAISAL DURING HIS STAY IN SAUDI ARABIA TUESDAY. THE KING URGED THE USG TO CONVINCE THE OIL COMPANIES OPERATING IN THE PERSIAN GULF TO BE "REALISTIC" IN THEIR DISCUSSIONS WITH THE SAUDI ARABIAN, IRANIAN, AND IRAQI GOVERNMENTS, BY WHICH HE MEANT THEY SHOULD NEGOTIATE A SEPARATE SETTLEMENT WITH THE GULF COUNTRIES.

THE UNDER SECRETARY IS NOW IN KUWAIT, BUT AT THIS WRITING NO INFORMATION IS AVAILABLE ON HIS TALKS THERE. HE IS SCHEDULED TO FLY TO TUNIS ON THURSDAY AFTERNOON, THEN RETURN TO WASHINGTON FRIDAY AFTERNOON, ALTHOUGH THE TUNISIANS HAVE INVITED HIM TO STAY FRIDAY NIGHT AS WELL.

LIBYAN DEPUTY PRIME MINISTER JALLUD TURNED DOWN A SUGGESTION BY AMBASSADOR PALMER THAT UNDER SECRETARY IRWIN ALSO STOP AT TRIPOLI, CITING PRIME MINISTER QADHAFI'S ABSENCE AND SHORTAGE OF TIME.

2. EASTERN FRONT: PERSIAN GULF STATES

THE MEETING OF THE GULF STATES OPEC NEGOTIATORS (IRAN, IRAQ AND SAUDI ARABIA) WITH THE 2-MAN OIL COMPANY TEAM TUESDAY JANUARY 19 IN TEHRAN WAS CONCERNED ALMOST EXCLUSIVELY WITH PROCEDURAL QUESTIONS. THE COMPANY TEAM EXPLAINED THAT THE INDUSTRY NEGOTIATING PROPOSAL LIMITED THE TEAM TO NEGOTIATIONS WITH ALL OF OPEC AND COULD NOT BE ALTERED WITHOUT INSTRUCTIONS FROM ALL 15 COMPANIES THAT HAD SIGNED THE PROPOSAL. THE GULF OPEC NEGOTIATORS GAVE THE COMPANY TEAM UNTIL THURSDAY JANUARY 21 TO GET NEW INSTRUCTIONS (LATER MODIFIED TO ADD, IF NECESSARY, ANOTHER 24 HOURS). IF BY THAT TIME, THE COMPANY TEAM WAS STILL NOT READY, THE EXTRAORDINARY FULL-OPEC MEETING WOULD BE HELD (ON MONDAY JANUARY 25) AND "ANYTHING MIGHT HAPPEN." ONE POSSIBILITY IS THAT THE OPEC COUNTRIES WILL AGREE TO DEMAND FOR ALL PRODUCING COUNTRIES THE SAME TERMS THAT VENEZUELA HAS LEGISLATED. THE COMPANY TEAM HOPES THAT PERHAPS PARALLEL GULF AND MEDITERRANEAN NEGOTIATIONS CAN BE ARRANGED BUT ARE NOT SURE THAT COMPANY AGREEMENT CAN BE REACHED ON ANY PROPOSAL WITHIN THE TIME SPECIFIED.

3. LIBYA: OCCIDENTAL AND BUNKER-HUNT SEE JALLUD

OCCIDENTAL AND BUNKER-HUNT REPRESENTATIVE MET SEPARATELY ON

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TUESDAY JANUARY 19 WITH JALLUD, WHOM THE COMPANY REPRESENTATIVES DESCRIBED AS "CONFIDENT AND CORDIAL - ALMOST DETACHED." HE INDICATED HIS AWARENESS OF THE COMPANIES' POOLING ARRANGEMENT, AND DEMANDED THAT OXY AND HUNT NEGOTIATE INDEPENDENTLY OF THE REST OF THE INDUSTRY, GIVING THEM UNTIL NOON SUNDAY JANUARY 24 TO RESPOND. IN THE ABSENCE OF A FAVORABLE RESPONSE, LIBYA WOULD TAKE "APPROPRIATE MEASURES,

[redacted] B1, B4

THEY ARE HOPING FOR A SOLUTION IN THE PERSIAN GULF-OPEC MEETINGS BEFORE TALKS WITH LIBYA BREAK DOWN.

4. OECD OIL COMMITTEE MEETING - CONSUMER GOVERNMENTS

THE HIGH LEVEL GROUP OF THE OECD OIL COMMITTEE WAS SCHEDULED TO MEET TODAY, BUT AT THIS WRITING NO REPORT OF THE MEETING IS AVAILABLE.

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ASSISTANT SECRETARY TREZISE BRIEFED EC COMMISSIONER HAFERKAMP AND OTHER EC OFFICIALS ON THE OIL SITUATION. HAFERKAMP EXPRESSED THE HOPE THAT THE CURRENT CRISIS WOULD STRENGTHEN THE CASE FOR FUTURE MOVES TOWARD A COMMON ENERGY POLICY AMONG EC MEMBER STATES.
ROGERS

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